

Tax Reporting of Graduate Student Payments

Orientation Fall 2018

**Caroline Burnicki, Senior Director for Tax Compliance
Deb Toms, Payroll Manager**

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should not be considered tax, financial or legal advice.
Please consult your own tax or financial advisor with any questions.**



Graduate Appointments at a Glance



Overview

- All graduate student financial support is processed through payroll and paid via HRMS
- Fellowships/Assistantships – job codes 6000 & 6002 – paid semi-monthly
 - **U.S. citizens, permanent residents and resident aliens for tax purposes:** graduate fellowships/assistantships are generally taxable income, but not subject to withholding.
 - **Non-resident aliens for tax purposes:** taxability and withholding depends on whether your country of residence has a tax treaty with the U.S. and whether you can claim treaty benefits.
- Grad/Teaching Assistant Add-On – job codes 6004, 6006 (or any other SEO position) – paid bi-weekly hourly/semi-monthly
 - Federal and NY state taxes are withheld. FICA taxes are generally not withheld as there is an exception for student workers.



Summary of Graduate Student Appointments

Appointment Description	HRMS Job Code	Reported On
Graduate Fellowship/Stipend	6000 (Visiting student – 6001)	End of year letter (US) (1042-S if NRA)
Graduate Assistantship	6002 (Visiting student – 6003)	End of year letter (US) (1042-S if NRA)
GA Add-On	6004 (Visiting student – 6005)	W-2
TA Add-On	6006	W-2

Ask your department to provide you the job code(s) associated with your appointment(s).



Tax Reporting for Fellowships/Assistantships: Nonresident Aliens for Tax Purposes



Non-Resident Aliens for Tax Purposes

- For students who are **non-resident aliens for tax purposes**, withholding for Fellowships/Assistantships – job codes 6000, 6002 – depends on whether your country of residence has a tax treaty with the U.S. for scholarships/fellowships and your completion and submission of the necessary paperwork to the Payroll office.
- To receive tax treaty benefits, you must have an Individual Taxpayer Identification Number (ITIN) or SSN – additionally:
 - Must update Glacier record
 - Generally, must submit Form W-8 BEN and/or Form 8233 to the Payroll office.
- Tax withholding will occur if required (no tax treaty benefit OR paperwork not turned in).



Tax Reporting for Fellowships/Assistantships:

U.S. Citizens, Permanent
Residents and Resident Aliens
for Tax Purposes



Tax Reporting for Fellowships/Assistantships: U.S. Citizens, Permanent Residents and Resident Aliens for Tax Purposes

- Fellowships/assistantships coded as 6000 and 6002 are not considered compensation for services (i.e., wages). These amounts are for your educational benefit (whether that fulfills research or teaching requirements for your degree).
- The IRS provides that amounts received as fellowships are not required to be reported as wages on a W-2 or as income on a Form 1099-MISC. However, these amounts are taxable income if used for **nonqualified** expenditures.
- Because these fellowships are not considered wages, they are not subject to income tax withholding.



Tax Reporting for Fellowships/Assistantships: U.S. Citizens, Permanent Residents and Resident Aliens for Tax Purposes

- Fellowships/assistantships are not taxable if used for qualified expenditures.
 - **Qualified** expenditures – candidate for degree and amount used for tuition or fees, books, supplies and equipment required for courses
- Fellowships/assistantships are taxable if used for non-qualified expenditures.
 - **Nonqualified** expenditures – amounts used for room, board, travel, equipment, living expenses not required as part of education
- Any tuition support that you are receiving is in addition to your 6000/6002 fellowship/assistantship position (and would already be considered a qualified nontaxable expense).
- You will receive a letter from the University in January 2019 which provides your total fellowships/assistantships for the 2018 calendar year.
 - Letter is for informational purposes and is not required to be filed with the IRS or NYS Dept of Tax when you file your 2018 tax return.
 - Letter should be saved and kept as support for taxable amount of fellowship/assistantship that you report on your 2018 tax return.



Tax Reporting for Fellowships/Assistantships: U.S. Citizens, Permanent Residents and Resident Aliens for Tax Purposes

▪ Example

Scott is a PhD candidate receiving 100% tuition support from the University. In addition, he was awarded a fellowship (6000 job code) of \$18,000 for the 2018-19 academic year. How much of the \$18,000 is taxable for 2018?

Calendar Year 2018

Assistantship payments received in 2018 - \$9,000

Cost of books/equipment required for and paid in 2018 for his 2018 classes - \$150
\$8,850 - should be reported as taxable income from his 6000 fellowship on Scott's 2018 tax return (\$9,000 less \$150)**

** To support this amount on his 2018 return, Scott should keep his fellowship letter from the University (received in January 2019), receipts and course information that lists required books/equipment.



Tax Reporting for Fellowships/Assistantships: U.S. Citizens, Permanent Residents and Resident Aliens for Tax Purposes

- Because fellowships/assistantships (job codes 6000,6002) used for nonqualified expenditures are taxable income but not subject to withholding by the University, you **may** be required to make estimated tax payments with the IRS and/or the NYS Dept of Tax (if you are a NY state resident).
- The IRS and NYS require that income taxes be paid as you earn or receive income during the year, either through withholding or estimated tax payments. Estimated tax payments are due quarterly. You are always allowed to “pre-pay” your tax liability that would otherwise be due each quarter. Otherwise, equal installments.



Resident Aliens for Tax Purposes

- Resident aliens for tax purposes are generally treated the same as U.S. citizens.
- However, certain countries have treaty provisions that apply to students even after they become resident aliens for U.S. tax purposes.
- A non-resident alien who is on a student visa (F, J, M or Q) from **China***, **Germany**, **Luxembourg** or **Pakistan** may continue to claim tax treaty benefits with respect to their non-service fellowship/assistantship payments *even after* they become a resident alien for tax purposes (so **NOT** required to pay estimated income taxes).
 - * Tax treaty with China does not include Hong Kong or Taiwan residents
- Generally, in order to continue to claim tax treaty benefits, the student must still be in the process of obtaining their degree.



Resident Aliens for Tax Purposes

- You must file a U.S. tax return and Form 8833, [Treaty-Based Return Position Disclosure Under Section 6114 or 7701\(b\)](#), if you are a resident alien for tax purposes and claiming tax treaty benefits on your non-service fellowship/assistantship payments. There is no additional documentation that you are required to provide to the University.
- You will not receive a Form 1042-S for your fellowship / assistantship payments after you have become a resident alien for tax purposes.



Calculating & Paying Your Estimated Tax Payments



Calculating Taxable Income & Tax

- How much tax you need to pay to the IRS and NYS in estimated tax payments depends on your total estimated taxable income and tax withholdings for the current year
- Your total taxable income and tax liability depends on your personal tax situation
- IRS and NYS income tax liability varies by person and could depend on:
 - Filing status (Single, Married, Head of Household)?
 - Spouse's income?
 - Can you be claimed as a dependent on another person's tax return?
 - Can you claim dependents on your tax return?
 - Do you have taxable income from sources outside of the University?
 - Off-campus job?
 - Interest/dividend/capital gain income?



Adjusted Taxable Income Differs Between IRS and State

- If you cannot be claimed as a dependent on another person's return, you can take the standard deduction in determining your income subject to tax.
- The standard deduction for IRS purposes is different than the standard deduction for state purposes. For 2018:
 - For IRS – if filing status is single: \$12,000
 - For NYS – if filing status is single: \$8,000
- There are different credits and deductions allowed for federal income tax purposes versus state income tax purposes. Availability of credits/deductions based on your personal tax situation.



Estimated Tax Payment Due Dates

ESTIMATED TAX DUE DATES FOR 2018

~~Quarter 1 — April 17, 2018~~

~~Quarter 2 — June 15, 2018~~

Quarter 3 – September 17, 2018

Quarter 4 – January 15, 2019

ESTIMATED TAX DUE DATES FOR 2019

Quarter 1 – April 15, 2019

Quarter 2 – June 17, 2019

Quarter 3 – September 16, 2019

Quarter 4 – January 15, 2020



Penalty for Not Making Estimated Tax Payments

- You are subject to a penalty for not making 2018 quarterly estimated tax payments to the IRS/NY state if:
 1. You owe \$1,000 or more in tax (\$300 or more for NY) when you file your 2018 return in 2019 (after subtracting withholding that you had, overpayments from the prior year, and any estimated taxes that you made), **AND**
 2. Your withholding/estimated payments are less than the smaller of:
 - a. 90% of the tax on your 2018 return, or
 - b. 100% of the tax on your 2017 return.
- Safe Harbor – For 2018 estimated tax payments, pay the tax on your 2017 return (from Form 1040) equally over the 4 quarterly payment dates (or all up front).



Resources

- IRS and NYS Tax Resources for Calculating Quarterly Estimated Tax Payments
 - Refer to IRS and NYS Forms listed below (which include explanation of how to estimate quarterly amounts owed) and IRS Publication 505 (Tax Withholding and Estimated Tax), available at:
<https://www.irs.gov/businesses/small-businesses-self-employed/estimated-taxes>
 - Federal – IRS Form 1040-ES
 - New York – NY Form IT-2105



Calculate Your 2018 Estimated Tax Payments

■ Example 1 – No other taxable income other than fellowship

Megan has a fellowship (6000 job code) of \$18,000 for the 18/19 academic year. She has no qualified expenditures other than tuition (which is offset directly by the University separate from the fellowship). For 2018, she did not have any other taxable income (no other fellowships or W-2 wage income). Megan files single, no dependents, and can't be claimed as a dependent on someone else's return. She is a NY state resident for tax purposes.

Is Megan required to make estimated tax payments to the IRS and NYS?

Step 1 - What is Megan's 2018 taxable income for estimated tax purposes?

Fellowship payments received in 2018: \$9,000 (1/2 of \$18,000)

Cost of books/equipment required for and paid in 2018 for her 2018 classes: \$0

Federal taxable income for 2018: \$9,000 - \$12,000 (federal standard deduction for 2018) = \$0

NY taxable income for 2018: \$9,000 - \$8,000 (NY standard deduction for 2018) = \$1,000

So no estimated tax payments required to the IRS because no taxable income. Need to determine NY state income tax.



Calculate Your 2018 Estimated Tax Payments

■ Example 1 – No other taxable income other than fellowship

Step 2 - What is the NYS estimated tax on Megan's 2018 estimated taxable income?

From 2018 NYS Form IT-2105

Single and married filing separately					
If line 5 is:		The tax is:			
over	but not over				
\$ 0	\$8,500	4%	of line 5		
8,500	11,700	\$ 340 plus 4.5%	of the excess over \$8,500		
11,700	13,900	484 plus 5.25%	"	"	11,700
13,900	21,400	600 plus 5.9%	"	"	13,900
21,400	80,650	1,042 plus 6.33%	"	"	21,400
80,650	215,400	4,793 plus 6.57%	"	"	80,650
215,400	1,077,550	13,646 plus 6.85%	"	"	215,400
1,077,550	72,703 plus 8.82%	"	"	1,077,550

So \$1,000 NY taxable income x 4% = \$400

Megan's estimated NY state income tax on her fellowship for 2018 is \$400.

Megan should either (1) make an estimated payment to NY of \$400 by September 17, 2018, or (2) make an estimated payment to NY of \$200 by September 17, 2018 and another estimated payment to NY of \$200 by January 15, 2019.



Calculate Your 2018 Estimated Tax Payments

■ Example 2 – Other taxable income in addition to fellowship

Megan has a fellowship (6000 job code) of \$18,000 for the 18/19 academic year. She has no qualified expenditures other than tuition (which is offset directly by the University separate from the fellowship). For 2018, she also received \$10,000 in wages from a summer job (in which she had \$500 in federal income tax withheld and \$200 in NY income tax withheld). Megan files single, no dependents, and can't be claimed as a dependent on someone else's return. Megan's 2017 Form 1040 reported tax (Form 1040, Line 44) of \$1,500. She is a NY state resident for tax purposes.

Is Megan required to make estimated tax payments to the IRS and NYS?

Step 1 - What is Megan's 2018 taxable income for estimated tax purposes?

Fellowship payments received in 2018: \$9,000 (1/2 of \$18,000)

Cost of books/equipment required for and paid in 2018 for her 2018 classes: \$0

2018 federal taxable income: $\$10,000 + \$9,000 - \$12,000$ (2018 standard deduction) = \$7,000

2018 NY taxable income: $\$10,000 + \$9,000 - \$8,000$ (2018 NY standard deduction) = \$11,000



Calculate Your 2018 Estimated Tax Payments

■ Example 2 – Other taxable income other than fellowship

Step 2 - What is the federal & NYS estimated tax on Megan's 2018 estimated taxable income?

FEDERAL:

From 2018 IRS Form 1040-ES

Schedule X—Use if your 2018 filing status is Single

If line 3 is:

The tax is:

Over—	But not over—				of the amount over—
\$0	\$9,525	-----	+ 10%		\$0
9,525	38,700	\$952.50	+ 12%		9,525
38,700	82,500	4,453.50	+ 22%		38,700
82,500	157,500	14,089.50	+ 24%		82,500
157,500	200,000	32,089.50	+ 32%		157,500
200,000	500,000	45,689.50	+ 35%		200,000
500,000	-----	150,689.50	+ 37%		500,000

\$7,000 federal taxable income x 10% = \$700

Megan's estimated federal income tax for 2018 on her fellowship and summer job combined is \$700. Megan had \$500 in federal income tax withholding on her summer job. Megan estimates that she will owe an additional \$200 to the IRS.

Megan owes less than \$1,000 after subtracting withholding so she does not need to make any federal estimated tax payments.



Calculate Your 2018 Estimated Tax Payments

■ Example 2 – Other taxable income other than fellowship

Step 2 - What is the federal & NYS estimated tax on Megan's 2018 estimated taxable income?

NY:

From 2018 NYS Form IT-2105

\$11,000 NY state taxable income

Single and married filing separately					
If line 5 is:		The tax is:			
over	but not over				
\$ 0	\$8,500	4% of line 5			
8,500	11,700	\$ 340 plus 4.5%	of the excess over	\$8,500	
11,700	13,900	484 plus 5.25%	" " " "	11,700	
13,900	21,400	600 plus 5.9%	" " " "	13,900	
21,400	80,650	1,042 plus 6.33%	" " " "	21,400	
80,650	215,400	4,793 plus 6.57%	" " " "	80,650	
215,400	1,077,550	13,646 plus 6.85%	" " " "	215,400	
1,077,550	72,703 plus 8.82%	" " " "	1,077,550	

Tax calculation: $\$340 + 4.5\% \times (\$11,000 - \$8,500) = \$340 + 4.5\% \times \$3,500 = \$340 + \$157.50 = \497.50

Megan's estimated NY state income tax for 2018 on her fellowship and summer job combined is \$497.50. Megan had \$200 in withholding on her summer job. Megan estimates that she will owe an additional \$297.50 to NYS for her 2018 taxable income.

Megan owes less than \$300 after subtracting withholding so she does not need to make any NY state estimated tax payments.



Calculate Your 2019 Estimated Tax Payments

What about for 2019?

For 2019, Megan estimates her 2019 fellowship amount to be \$18,000 ($\frac{1}{2}$ of 18/19 assistantship and $\frac{1}{2}$ of 19/20 assistantship). For 2019 she expects to have W-2 wages of \$9,000.

Fellowship payments received in 2019 of \$18,000 + \$9,000 W-2 Wages = \$27,000 in taxable income.

Cost of books/equipment required for and paid in 2019 for her 2019 classes - \$0

Federal taxable income for 2019: \$27,000 – 2019 standard deduction (assume 2018 amount of \$12,000, but may change) = \$15,000.

Use 2019 Form 1040-ES (not released yet) to estimate federal income tax on \$15,000.

Follow same approach for NY tax purposes.



How to Make Estimated Tax Payments

■ How to make IRS estimated quarterly tax payments

1. Mail your payment (check or money order) with payment voucher (IRS Form 1040-ES, Vouchers 1-4)
2. Pay online at www.irs.gov website or using IRS2Go App –
 - a) Through IRS Direct Pay – pay directly from your bank account
 - b) Pay with credit card – through processor (requires fee)

■ How to make NYS estimated quarterly tax payments

1. Mail your payment (check or money order) with payment voucher (NY Form IT-2105, Voucher)
2. Pay online at www.tax.ny.gov website (need to create Online Services account)
 - a) Pay directly from your bank account
 - b) Pay with credit card – through processor (requires fee)



Calculate Your 2019 Estimated Tax Payments

- Making Additional Tax Payments during the Year via Extra Withholding
 - If you also have a Graduate/Teaching Assistant add-on (bi-weekly hourly / semi-monthly) – job codes 6004, 6006 – OR any other employment position through SEO, you can request additional withholding (IRS or NYS) on the wages that you receive from these positions.
 - Need to update your IRS Form W-4 (complete Line 6) or NYS Form IT-2104 (complete Line 3) for extra withholding.
 - **NEED TO COMPLETE A NEW FORM W-4 / IT-2014 IF YOU NO LONGER WANT ADDITIONAL AMOUNTS WITHHELD.**



How to Report Fellowships/Assistantships on Your 2018 Income Tax Returns



How to Report Fellowships/Assistantships on Your 2018 Income Tax Returns

- If filing Form 1040, Form 1040A or Form 1040EZ, enter “SCH = \$(TAXABLE AMOUNT)” in the space to the left of the “Wages, salaries, tips” line of your tax return.
- “Wages, salaries, tips” line of your tax return should include:
 - Amounts from Box 1 of your W-2s plus
 - Taxable scholarships/fellowship amounts received
- If using a commercial software program such as TurboTax or TaxSlayer, follow the instructions provided by the software provider to report your fellowship/assistantship.
- Some commercial software programs will force the federal self-employment tax to calculate if you enter an amount as wages but fellowships/ assistantships should not be subject to the self-employment tax.
- Most commercial software programs have a help or chat feature if you need assistance.



How to Report Fellowships/Assistantships on Your 2018 Income Tax Returns

- **TurboTax:** You should report your fellowship as follows:
 1. Go to Federal Taxes>Wages and Income
 2. Scroll to the Less Common Income section and choose Miscellaneous Income (the last choice)
 3. Choose Other income not already reported on a Form W-2 or Form 1099. Answer Yes on the Other Wages Received screen.
 4. Continue past Wages Earned as a Household Employee and Sick or Disability Pay
 5. Answer Yes on the Any Other Earned Income screen
 6. Choose Other on the Enter Source of Other Earned Income screen
 7. Enter your fellowship information on the Any Other Earned Income screen.
- This will report your fellowship on line 7 of your Form 1040, and you will not be subject to Self-Employment Tax.



Resources

- **University of Rochester Graduate Student Tax Information (on Provost's website)**
- **IRS Publication 970 – Tax Benefits for Education:**
<https://www.irs.gov/pub/irs-pdf/p970.pdf>
- **IRS Publication 505 – Tax Withholding and Estimated Tax for 2018:**
<https://www.irs.gov/pub/irs-pdf/p505.pdf>
- **IRS Form 1040-ES (Quarterly Tax Payments):**
<https://www.irs.gov/pub/irs-pdf/f1040es.pdf>
- **NYS Form IT-2105 (Quarterly Tax Payments) and Instructions:**
https://www.tax.ny.gov/pdf/current_forms/it/it2105_fill_in.pdf
https://www.tax.ny.gov/pdf/current_forms/it/it2105i.pdf

